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RUEHKO/AMEMBASSY TOKYO PRIORITY 1502

RUEHBJ/AMEMBASSY BEIJING PRIORITY 6908

RUEHUL/AMEMBASSY SEOUL PRIORITY 5380

RUEHCHI/AMCONSUL CHIANG MAI PRIORITY 6382

RUEAIIA/CIA WASHINGTON DC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY

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C O N F I D E N T I A L SECTION 01 OF 03 BANGKOK 000841

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TAGS: PGOV PREL ECON KDEM TH

SUBJECT: ABHISIT ADMINISTRATION AT 100 DAYS: EXCEEDING (LOW) EXPECTATIONS AS TOUGH ISSUES CONFRONT

REF: A. BANGKOK 208 (ONE MONTH CHECK)

1B. BANGKOK 505 (ASEAN SUMMIT)

1C. BANGKOK 815 (KASIT TO BURMA)

1D. BANGKOK 125 (NEW PLAN IN THE SOUTH)

1E. BANGKOK 283 (HDC CHANNEL RENEWED)

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Classified By: Ambassador Eric G. John, reason: 1.4 (b) and (d).

SUMMARY AND COMMENT

11. (C) When the Constitutional Court dissolved the People's Power Party in December 2008, we had no reason to expect that the House of Representative's election of Abhisit Vejjajiva as Prime Minister would end Thailand's political crisis, nor has it. With a looming succession crisis as the barely concealed subtext in the twilight of King Bhumibol's reign, Thailand seemed to be tearing itself apart at the seams, with both sides of the political spectrum organizing large street protests and concern expressed in some quarters that the country could eventually slide into a state of civil war. Only 44 years old, Abhisit was still relatively untested.

12. (C) We are pleasantly surprised, therefore, that the political situation 100 days after King Bhumibol swore in Abhisit's cabinet seems relatively stable, with no indication that either street demonstrations or parliamentary maneuvers will succeed in bringing down the current coalition government in the near term. There are even signs that Abhisit and his cabinet members may make progress on substantive issues. In foreign policy, the ASEAN Summit, delayed from December to February, helped to restore a modicum of respectability for Thai diplomacy, and FM Kasit has initiated subtle changes in Burma policy, Thailand's most vexing foreign policy issue. Facing their primary challenge, the state of Thailand's economy, Abhisit and Finance Minister Korn have quickly begun to implement a \$4.4 billion economic stimulus plan consisting of targeted fiscal expenditures and tax reduction measures. In the secondary "red" challenge, former Prime Minister Thaksin Shinawatra, who appears to have the greatest incentive to knock Abhisit out of office, has not yet shown he has the capability of doing so, despite ongoing "redshirt" rallies outside of Government House. On the third systemic challenge to stability, Abhisit has renewed the government's focus on ending the conflict in southern Thailand, with mixed results to date. How long PM Abhisit and his team will be in office remains an open

question, however. End Summary and Comment.

DEC 2008: UNEXPECTED ELECTION

¶3. (C) After Thaksin Shinawatra's Thai Rak Thai party won a landslide victory in 2005, the Democrat Party (DP) appeared to be sliding toward irrelevance. When popular opposition to Thaksin began mounting, prior to the 2006 coup d'etat, the People's Alliance for Democracy (PAD) played a more prominent and meaningful role than the Democrat Party in setting the public agenda. After the coup, despite significant disadvantages, the pro-Thaksin People's Power Party (PPP) managed to win a plurality in the parliament. In 2008 the PAD, not the Democrats, once again seemed to represent the opposition in public discourse.

¶4. (C) But after the Constitutional Court dissolved the PPP on December 2, the Democrat Party -- the second-largest in the House of Representatives -- provided the main alternative to another pro-Thaksin administration. Various factors, likely including money politics, pressure from the military, signals from parts of the monarchy, and a desire by both politicians and the private sector to reduce instability, led most of the PPP's coalition partners to defect to the Democrats through the negotiating skills of DP SecGen Suthep. Abhisit won election in the House by a vote of 235-198, forming a coalition government and leaving the newly-formed pro-Thaksin Puea Thai party in opposition.

JANUARY 2009: SETTING AN AGENDA

¶5. (SBU) After months of political unrest in late 2008 during
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which time two administrations (Samak and Somchai) made little apparent progress in governing, focusing instead on mere survival, Abhisit presented a fresh and confident face to the country and the world, and set about to show that normalcy had returned to Thailand and that a Thai government could actually govern. His policy statement before Parliament and early public appearances stressed the themes of fostering reconciliation in society; rejuvenating the economy; and ensuring compliance with the rule of law by all and for all. Reviews after his first month were largely positive (ref A).

FEB-MARCH 2009: FOREIGN POLICY AIM TO RESTORE VOICE

¶6. (SBU) One of Abhisit's first trips abroad was to Davos to participate in the World Economic Forum, in an effort to restore Thailand's tarnished international image. His encounter with UK Chancellor Gordon Brown went well enough to earn Abhisit an invite to join the G-20 London Summit, ostensibly representing ASEAN as Chair, but a personal feather in Abhisit's cap. His next priority was to reschedule the ASEAN Summit, postponed due to the turmoil of the airport takeover in November and fall of government in December. The Summit took place without major hitches February 27 - March 1 between the seaside towns of Cha Am and Hua Hin, with Abhisit showing his ease in engaging civil society, even the Burmese and Cambodian representatives whom PMs Thein Sein and Hun Sen had blackballed from the Leaders' session. On April 10-12, Thailand will host the ASEAN plus Three Summit, the East Asia Summit, and the ASEAN Global Dialogue, further helping Abhisit to show that relative normalcy prevails.

¶7. (C) The ASEAN Summit also demonstrated Abhisit and FM Kasit's willingness to change the Thai approach to Burma policy which had prevailed since Thaksin assumed office in early 2001. Out was promotion of vested interests of Cabinet members; in were meetings with Burmese activists, changed rhetoric in Bangkok and Geneva, and a willingness to

facilitate talks between the Burmese junta and the Karen National Union (refs B-C). Abhisit and Kasit quietly hosted the 15th anniversary of the Council of Asian Liberal and Democrats (CALD) March 27-30 and made forward leaning remarks on Burma, according to bloggers in attendance. Guests they hosted included Burmese activists from NCUB and NLD-LA, Hong Kong's Martin Lee, and representatives of Taiwan's Democratic Progressive Party (DPP).

THREE SYSTEMIC CHALLENGES: THE ECONOMY

¶18. (SBU) Inheriting an economy rocked by the global economic crisis, the Abhisit government moved quickly to counteract the decreased exports and domestic consumption that caused a 4.3 percent drop in GDP in the fourth quarter of 2008. Facing an expected drop in the first quarter of 2009, the RTG rolled out a \$4.4 billion economic stimulus plan consisting of targeted fiscal expenditures and tax reduction measures. The plan's basic goal was to reduce the living costs and increase the purchasing power of Thailand's poor and middle classes. The government also established a \$5.7 billion stand-by credit facility for state-owned enterprises (SOEs) to support and/or guarantee loans.

¶19. (SBU) While popular with the majority of Thais, many economic analysts criticized the plan for not going far enough and for not focusing on longer term investment projects that would generate employment. Recognizing this to be the case, and given legal restrictions on government debt as a percentage of the annual budget, the RTG announced it would seek \$2 billion in loans from the World Bank, Asian Development Bank, Japan International Cooperation Agency (JICA) to finance job-creating projects and guarantee business lending. Economic-related ministers continue meeting to flesh-out the programs listed above and develop new measures to stimulate the Thai economy. Now under consideration, a 1.56 trillion baht (\$44 billion) investment spending plan, targeting transportation infrastructure and farm irrigation development/improvements.

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¶10. (SBU) Aware that these fiscal expenditures may not rescue Thailand's economy in the short run, Abhisit has also focused tremendous efforts on improving Thailand's investment climate -- pledging to liberalize the ability of foreign business to operate in the Thai economy and making intellectual property rights (IPR) protection and enforcement a key part of these efforts. Whether discussing IPR, trade, or investment, Abhisit has spent his first 100 days actively engaging with the domestic and foreign business community to listen to their concerns and emphasize his government's business-friendly policies. Even if the economy continues to weaken amidst the global economic downturn, Abhisit and his economic team want to build confidence that their government is still Thailand's best bet to deal with the economic challenges.

THE DIVIDED COUNTRY: REDSHIRTS/THAKSIN

¶11. (C) Progress has been more elusive on Abhisit's pledge to heal the divide in Thai society and body politic, with the new opposition seeking to keep Abhisit off-balance and distracted from his agenda. The newly-formed pro-Thaksin Puea Thai party immediately began attacking Abhisit, citing every act of his that could possibly be construed as improper, and went through the motions of a no-confidence debate in March. Simultaneously, "redshirt" protestors borrowed a page from PAD's playbook and mobilized crowds against the government. Although the redshirts have held large demonstrations and currently blockade Government House, they have not sustained them or galvanized public opinion against Abhisit, whose ratings in public opinion polls remain several times higher than Thaksin.

¶12. (C) Thaksin appears to be the main force behind both Puea Thai and the redshirts. Leading figures in both military and civilian royalist circles consider Thaksin their main opponent. Abhisit's administration moved quickly to revoke Thaksin's diplomatic passport and to exert influence with other governments in order to circumscribe Thaksin's freedom to travel and engage in political activities. Prosecutors cannot try Thaksin on new criminal charges while he remains a fugitive abroad, but this may not be necessary -- Thaksin's October conviction provides a basis for his imprisonment if he were to return to Thailand. It remains unclear whether ongoing anti-government/pro-Thaksin rallies outside the Government House compound will significantly impede Abhisit's administration. A critical factor moving forward in domestic political machinations will be the third wheel of former Thaksin lieutenant and current coalition kingmaker Newin Chidchob.

THE SOUTH: SPINNING IN PLACE?

¶13. (C) Abhisit started strong rhetorically in making the situation in the deep South a top priority, proposing a stronger civilian-led approach that would reduce the military's preeminent role (ref D). 100 days on, the jury remains out, but forward momentum has clearly slowed. On the one hand, Abhisit green-lighted the Henri Dunant Centre (HDC) to resume facilitation of talks with insurgents (ref E). On the other, Abhisit did not consult/bring the military on board in the HDC channel's resumption, as had been the case post-coup. More significantly, Abhisit has made little headway in convincing the military to give up the lead role in dispensing the significant budgetary outlays for the deep South which currently pass through the military-controlled ISOC rather than being allocated directly to civilian ministries and the Southern Border Province Administrative Center (SBPAC). Deputy DP leader Kraisak Choonhaven endorses Abhisit's approach and intent in the south but blames DP SecGen Suthep for scuttling forward progress, claiming that Suthep has his eyes only on the national picture and the need to avoid confronting the army on an issue as sensitive as the deep South.

JOHN